

Texas Department of Health

Health Insurance Portability and Accountability Act (HIPAA)

HIPAA Cost Accounting & Tracking Plan (CATP)

July 2001



Approvals Signature Block

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TDH Commissioner of Health – Dr Charles Bell		

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PREFACE

This HIPAA Cost Accounting Tracking Plan (CATP) is the controlling document for managing the Texas Department of Health (TDH), Health Insurance Portability and Accountability Act (HIPAA) implementation costs. This plan is designed to identify a process and controls to track all costs associated with HIPAA implementation. In addition, the plan will establish a method to report these costs to TDH Executive Management, Health and Human Services Commission (HHSC), Legislative Budget Board (LBB), and the Texas Legislature.

1. OVERVIEW OF THE HIPAA PROJECT

The Health Insurance Portability and Accountability Act of 1996, Public Law 104-191 (HIPAA), was enacted by Congress to reform the healthcare insurance market and simplify health care administrative processes. The Administrative Simplification provisions of HIPAA, designed to improve the efficiency and effectiveness of the healthcare system and protect electronic health information, mandates the implementation of administrative and technical rules (standards) in five specific areas. Within each area there are legal, regulatory, process, security and technology aspects that must be carefully evaluated prior to implementation. The five areas are as follows:

- electronic transaction standards,
- standard transaction code sets for information,
- unique health identifiers for employers and providers,
- security and digital signatures, and
- privacy of individually identifiable health information.

The standards apply to “covered entities” that process health care related information electronically including health plans, health care providers, clearinghouses, employers and other entities exchanging or maintaining health information electronically.

In order to become HIPAA compliant TDH will identify which systems, interfaces or business processes are impacted by HIPAA, determine what changes need to be made to bring the systems into compliance with the HIPAA standards, make the changes, and finally implement the changes.

Dr. Charles Bell, Executive Deputy Commissioner, appointed Ben Delgado, Deputy Commissioner for Operations, and Tom Thornton, Associate Commissioner for Information Systems (IS) as Executive Sponsors for the HIPAA project. The sponsors assigned Information Systems Enterprise Systems responsibility for managing the project on behalf of the entire Health Department.

2.0 PURPOSE, SCOPE, AND OBJECTIVES OF ACCOUNTING PLAN

PURPOSE

The purpose of the HIPAA Cost Accounting and Tracking Plan (CATP) is:

- to identify a process and controls to track all TDH costs associated with HIPAA.
- to report these costs monthly to TDH Executive Management for the duration of the project.
- to report, as requested, to LBB or HHSC for the duration of the project.

SCOPE

The TDH HIPAA Project Management Office in Enterprise Systems (ES) will help ensure compliance by all TDH programs, track enterprise costs and report costs to executive management. The scope of costs includes project management, assessments, staff time, travel, training, hardware procurements, infra-structure costs, software remediation, purchases, and business process improvements required to achieve HIPAA compliance.

NOTE: Cost for implementing HIPAA will be distinguished from implementing SB11.

OBJECTIVES

Objectives of the TDH HIPAA Project Management Office include:

- 100% compliance with the approved cost accounting procedures beginning 9-1-2001 for project duration.
- 100% capture or estimation of cost expended from 3-1-2001 through 8-31-2001
- 100% compliance with requests from the Legislature, LBB, HHSC, or TDH executives to report actual HIPAA costs and/or future costs estimates.
- Meet or exceed Texas Legislature's requirement to estimate HIPAA implementation costs by 9-1-2002

3.0 HIPAA FUNDING SUMMARY

The Texas State Legislature provided no line item funding to achieve HIPAA compliance. Instead, they included a HIPAA Rider, Section 10.11, in the General Appropriations Act as follows:

It is the intent of the Legislature that the Health and Human Services Commission's National Data Interchange Standards (NDIS) Task force develop, with the help of the Comptroller of Public Accounts, the Texas Higher Education Coordinating board and affected institutions and the Texas Office of the Attorney General, a plan to integrate the provision established by HIPAA for the following agencies which handle health related information: Texas Department of Criminal Justice, Employee Retirement System, Texas Department of Health, Texas Health Care Information Council, Texas Health and Human Services Commission, Texas Department of Human Services, Texas Higher Education Coordinating Board, Texas Department of Information Resources, Texas Department of Insurance, Texas Department of Mental Health and Mental Retardation, Teacher Retirement System of Texas, Texas State Office of Risk Management, Texas Workers Compensation Commission and any other office agencies that the Health and Human Services Commission determines to be affected by HIPAA. The plan shall include an analysis of HIPAA's financial impact on each state agency as well as the state's overall progress in implementing HIPAA. A copy of the plan shall be submitted to the Governor, the Lieutenant Governor, Member of the Texas Senate, Members of the House of Representatives and Legislative Budget Board no later than September 1, 2002 with an addendum updating the progress of implementation due to the same entities by January 5, 2003.

Currently, TDH has no legislated appropriations, no capital authority, and no established budget for implementing HIPAA.

Additionally, HIPAA is viewed as a Project Over Threshold (POT), i.e. will exceed \$1 million in cost, and will be included in the next version of the Biennial Operating Plan (BOP).

HIPAA is a federal mandate. TDH must achieve HIPAA compliance. By Texas legislative statute, TDH must participate in the NDIS Task Force. Also, TDH is collaborating with HHSC, the Texas Department of Human Services (DHS), and the Texas Department of Mental Health and Mental Retardation (MHMR) in an enterprise endeavor to manage the HIPAA project.

Despite the absence of funding for project management and assessments¹, TDH has already begun to assess HIPAA impact, to determine an appropriate course of action and to estimate costs by the September 1, 2002, the Texas legislated deadline.²

4.0 ACCOUNTING PROCESS IMPLEMENTATION

Two options are available for establishing a budget and tracking HIPAA costs. A brief description of options follows:

Option A: TDH Programs following the tracking procedures outlined in this plan, manage their own budgets, and pay HIPAA costs out of their appropriations. Information Systems uses the existing Chargeback System.

Option B: TDH establishes a centralized, agency-wide budget for tracking HIPAA costs. According to Linda Stewart, TDH Financial Services, the following steps would be needed to establish an agency-wide budget since the 77th Legislature did not include funding for HIPAA in the Appropriations bill:

- Varied TDH Programs would have to review their appropriations and determine which strategies they will reduce or eliminate in order to “transfer” appropriations to a centralized budget.
- Once Programs agreed to change their strategies, approval must be obtained from the Board of Health (BOH).
- Once the BOH approves, approval must be obtained from the Legislative Budget Board (LBB).

Recommendation: In the absence of a budget and the need to begin immediate cost tracking, Option A is recommended for now. Option B may be a viable alternative if the Texas Legislature establishes HIPAA funding in the future.

The process described in sections 4.1 through 4.3 are based upon Option A.

4.1 EXECUTIVE SUMMARY OF ACCOUNTING PLAN

- ❖ An agency-wide budget will not be established at this time.
- ❖ Project management costs will be charged to agency overhead via the IS Chargeback system.
- ❖ Other HIPAA-related costs will be covered by TDH programs.
- ❖ Unique budget numbers for HIPAA will be assigned to each TDH Program.
- ❖ Unique activity codes will be assigned to all TDH Programs for staff to track and report all time dedicated to HIPAA activity. Staff will report time on form, B-53. B-53 forms will be used as source documents to enter time into TDH’s Time Accounting System (TAS). These costs will be charged against the existing program budgets.

- ❖ IS Programmers performing systems remediation for TDH Programs to achieve HIPAA compliance will use program-specific HIPAA codes to record activity. Costs will be charged to customer programs.
- ❖ Purchases necessary to achieve HIPAA compliance must first be approved by the HIPAA Project Director to assure they are consistent with the enterprise strategy and to avoid duplicative costs. Once approved, an assessment must be made regarding which program budget will cover the purchase cost. Any purchases unique to a program/covered entity will be paid for by that Program.
- ❖ Reports will be generated from the TDH Time Accounting System and the IS Chargeback and TAS systems to track costs.

4.2 COST ACCOUNTING PROCESS (EXTERNAL TO INFORMATION SYSTEMS)

All TDH Programs/Offices/Bureaus/entities (Programs) external to Information Systems, will be asked to track and report staff time devoted to HIPAA using a unique Activity Code for input into the TDH Time Accounting System (TAS). Initially, all TDH Programs may have some staff time devoted to HIPAA to perform initial assessments. Over time, the HIPAA programs identified as “covered entities” will expend more time on HIPAA.

TDH programs will be instructed to request a new activity code to identify HIPAA-effort expended. This will be a new 3-digit alphanumeric code that will be assigned depending on the type of program.

- For non-Medicaid programs, the Fiscal Services [Francisco Velasquez ext. 2275] will create a HIPAA activity code. This new code will be submitted to Grants Management [Mary Alexander ext. 2182] for approval and assignment.
- For Medicaid-related programs, the Budget and Revenue Division [Deborah Wilson ext. 3808] will create a HIPAA activity code.

After the new activity code is assigned and given to the program, the program will notify the Enterprise Systems of the new activity code. The Enterprise Systems Project Manager will then forward this information to Information Services, Administrative Division for inclusion in the monthly allocation run report.

All programs will identify HIPAA related costs i.e. general costs such as research, administrative (meetings), testing of programs, etc. on the B-53 Employee Time Record reflecting the hours used by a HIPAA activity code specific for their program. Enterprise Systems’ HIPAA Project Manager will coordinate with the programs to use their established budget code.

Program staff will enter their HIPAA related time on the B-53 employee time record and submit this record to the program staff responsible for entering this information into the TDH’s Time

Allocation System (TAS). The previous month's hours are due by the third working day of the month.

Purchases:

Purchases necessary to achieve HIPAA compliance must first be approved by the HIPAA Project Director. Once approved, an assessment must be made regarding which program budget will cover the costs. Any purchases unique to a program/covered entity will be paid for by that Program.

4.3 HIPAA COST ACCOUNTING FOR INFORMATION SERVICES (IS)

Information Services will provide agency-wide project management. They will also provide assistance and programming for HIPAA related implementation for any TDH programs that requests their services. The Information Services (IS) personnel, including the Project Director and Project Manager and excluding administrative and executive staff, will charge back their time and expenses to the Program's specific HIPAA budget through the following cost accounting systems:

- Cost Accounting and Reporting Systems (CARS), which imports the captured time data, calculates charge back rates, creates reports and statements.
- Time Accounting System (TAS), which captures time, and is used for project management, within IS.
- LTHelp, primarily helpdesk dispatch software used by Computer Assistance Services Team (CAST) and Telecom to capture time expended at work order level.

The IS administrative and executive staff will keep track of their time by charging back to a general IS HIPAA account code (P183). The B-53 employee time record will be used for this purpose and the hours expended submitted to the HIPAA Program Manager monthly.

Account Identification:

Information Services will set up a HIPAA account that will begin with the prefix "P" followed by the 3-digit numeric general account code. In addition, the acronym "HIPAA" will be included in the account description. It is recommended that, when possible, that the HIPAA related program have only one HIPAA general account code to minimize the need for multiple codes within the same program. Information Services will use the established program budget for that program's HIPAA related expenses.

- Information Services, Billing Supervisor, will create the HIPAA account codes.

The positive aspect of having a unique specific HIPAA account code:

- easy to identify on sight as a HIPAA account
- will make reporting easier
- HIPAA account code will not conflict with existing account codes.

The following table identifies some of the HIPAA account codes already created. The P183 and P186 will be general IS HIPAA codes that will not be charged back to a specific program.

Examples of HIPAA Account Codes are:

ACCOUNT CODE	DESCRIPTION OF ACCOUNT
P183	HIPAA General Account (time spent researching, administrative, documentation, meetings, consulting re: HIPAA)
P186	HIPAA Infrastructure Account (costs associated with general purchases related to HIPAA)

Table 4. IS HIPAA Account Codes

4.4 ACCOUNTING REPORTS

TDH Program Staff Time Reporting:

The cost accounting expense reporting for all HIPAA impacted work that does not utilize the Information Services charge back system, i.e. programs that incur HIPAA related expenses outside of IS, which will include non-Medicaid and Medicaid-related programs will be a monthly allocation run report prepared by Information Services [Steve Wright and Jeff Southard] on all HIPAA activity codes submitted to them by the Enterprise HIPAA Project Management Office. An available allocation run of H21407 will be used with modifications specific for the monthly HIPAA reports. This report will be modified as follows:

- Monthly, accumulative report on HIPAA activity codes only per programs
- By service dates, starting 9/1/01 to 8/31/01
- Submitted monthly to Enterprise HIPAA Project Management Office
- Submitted quarterly to the Budget and Revenue Division for HCFA 64 report.

TDH IS Reporting:

IS reporting on HIPAA expenses will be based on the CARS charge back history file and will include a monthly report. This monthly report will be submitted to the Enterprise Systems HIPAA Project Manager.

The end of month process will collect the last month's data from IS TAS and LTHelp. The previous month's hours are due by the third working day of the month. All users must exit TAS and LTHelp during the process. IS executives and administrative staff will not be included in this report.

HIPAA accounts will be reflected in the monthly customer charge back statements. The report will be part of the information system section on the customer statements.

4.5 ROLES AND RESPONSIBILITIES

Role	Person Assigned	Responsibilities
TDH Enterprise Project Management Office Director	Judy Sandberg	<ul style="list-style-type: none"> • Prepares executive summaries or briefings • Provides project management direction, oversight and quality control • Provide budget oversight
TDH Project Manager	Mary Jane Berry	<ul style="list-style-type: none"> • Coordinates with TDH programs to ensure compliance and accurate accounting • Coordinates data collection • Prepares cost accounting reports
Program Managers	Deputies, Associate Commissioners, Bureau Chiefs	<ul style="list-style-type: none"> • Ensure HIPAA CATP compliance by their area
Programs <ul style="list-style-type: none"> • SME • Programmers • Chiefs of Staff 	TBD	<ul style="list-style-type: none"> • Tracks and record time spent on HIPAA or costs per activity code assigned to that program by COB on the end of the month
Executive Sponsors	Ben Delgado & Tom Thornton	<ul style="list-style-type: none"> • Approve Accounting Plan • Encourage compliance

Table 3. Project Roles and Responsibilities

4.6 HEALTH CARE FINANCING COST ACCOUNTING AND TRACKING

The Associateship of Health Care Financing (HCF) will be transferring to Health and Human Services Commission (HHSC) as of September 1, 2001. This Associateship had already established an HIPAA project manager and a workforce to research and identify actions to be taken to become HIPAA compliant.

HCF has a tracking system and has identified their HIPAA costs under a Project number in association with and maintained by Department of Human Services (DHS).

As of September 1, 2000 to August 31, 2001 the HCF HIPAA related expenses are identified under Project X939 (HIPAA Analysis). As of September 2000 to April 2000 HCF has spent \$83,955.31 that has been reported on HCFA 64 report.

Per direction from Cathy Lorenzen, HHSC, HIPAA Project Director, the associateship of HCF will continue to track HIPAA cost through a project number associated with DHS after September 2001. Therefore, HCF will not be included in this CATP.

The HHSC and the HCF HIPAA Project Manager will track HIPAA costs for HCF Medicaid program.

4.7 HCFA 64 REPORTING

Health Care Financing Administration (HCFA) has mandated that Medicaid programs must use an activity code and report HIPAA expenses on HCFA 64 form. The HCFA-64 is a statement of expenditures for the Medicaid program that States submit to HCFA. The report is an accounting statement of actual expenditures made by the States for which they are entitled to receive Federal reimbursement.

5 CONTROL PLAN

Once firmly established, the project budget will be evaluated monthly and compared with work activity completion. The Enterprise Project Manager will analyze budget reports monthly to assure all TDH programs are accurately reporting time and costs.

6 DOCUMENT CONTROL

CHANGE HISTORY

Revision	Release Date	Description [list of changed pages and reason for change]

Table 5. Document Control

¹ HHSC obtained Federal funding approval at a 90%/10% federal/state match from the United States Health Care Financing Administration (HCFA) for assessment and project management costs related to Medicaid systems (MMIS) only.

² TDH followed recommended guidance of the Gartner Consulting Group to develop an initial baseline cost estimate for implementing HIPAA Transactions Code sets only. The Gartner Group recommended multiplying Year 2000 (Y2K) remediation costs times a factor from 2 to 4. Using a multiplier of 2.5, TDH estimated \$12.9 million of General Revenue will be needed to achieve compliance for HIPAA Transaction Codes on non-MMIS systems only.

Mary Jane Berry
7-25-01